

Ph.D. Program in Economics and Finance (DEFAP)
Finance – Empirical Corporate Finance module
A.Y. 2021/22
Instructor: Andrea Signori

This PhD course provides a research-oriented treatment of selected topics in empirical corporate finance. Research papers in various areas will be presented and discussed. The goal of the course is to help students develop and master the skills needed to carry out empirical research in the field of corporate finance.

Prerequisites. Students of this module are assumed to be familiar with an intermediate corporate finance module (e.g., Berk-DeMarzo, *Corporate Finance 3e*, Pearson; Hillier-Grinblatt-Titman, *Financial Markets and Corporate Strategy*, McGraw-Hill Higher Education). Students are also assumed to be familiar with basic econometrics and microeconomics.

Contents. The course is structured as follows:

- I. Empirical Issues in Corporate Finance
 - a. The Event Study Methodology
 - b. Endogeneity
- II. Capital Structure and Payout Policy
 - a. Capital Structure
 - b. Dividend policy
- III. Mergers and Acquisitions
 - a. Sources of merger gains
 - b. Empirical evidence
- IV. Corporate Governance
 - a. Internal mechanism: the board of directors
 - b. External mechanism: disciplinary takeovers, shareholder activism
- V. Initial Public Offerings (IPOs)
 - a. The IPO underpricing phenomenon: theory and evidence
 - b. Recent trends in IPO activity

Readings. A preliminary list of papers, most of them published on top finance journals, is provided below:

I. Empirical Issues in Corporate Finance

- 1) Roberts, M.R., and T.M. Whited (2013): “Endogeneity in Empirical Corporate Finance” in *Handbook of the Economics of Finance 2A*, Chapter 7, 493-572.
- 2) MacKinlay, A.C. (1997): “Event Studies in Economics and Finance,” *Journal of Economic Literature* 35(1), 13-39.
- 3) Bowen, D.E., Frésard, L., Taillard, J.P., 2016. What’s Your Identification Strategy? *Innovation in Corporate Finance Research. Management Science*. Doi: 10.1287/mnsc.2016.2437.
- 4) Atanasov, Vladimir A. and Black, Bernard S., 2016. Shock-Based Causal Inference in Corporate Finance Research. *Critical Finance Review*, 5, 207-304.

- 5) Li, K., and N.R. Prabhala, 2007, "Self-Selection Models in Corporate Finance," Handbook of Corporate Finance: Empirical Corporate Finance Vol. I, ed. B. E. Eckbo, in the North Holland Handbooks in Finance, Elsevier Science B.V., Chapter 2, 37-86. Reprinted in: Corporate Takeovers: Modern Empirical Developments Vol. I, , ed. B. E. Eckbo, Elsevier/Academic Press, Chapter 3, 173-224.

II. Capital Structure & Bankruptcy

- 1) Frank, M.Z.; Goyal, V.K. (2003) Testing The Pecking Order Theory of Capital Structure, Journal of Financial Economics, Vol. 67, pp. 217-48
- 2) Titman, S.; Wessels, R. (1988) The Determinants of Capital Structure Choice, Journal of Finance, Vol. 43 (1), pp. 1–19.
- 3) Myers, S.C. (1977): "Determinants of Corporate Borrowing," Journal of Financial Economics, 5(2), 147-175.
- 4) Warner, J.B. (1977): "Bankruptcy, Absolute Priority, and the Pricing of Risky Debt Claims," Journal of Financial Economics 4(3), 239-276.
- 5) Graham, John R., and Mark T. Leary, 2011, A Review of Capital Structure Research and Directions for the Future, Annual Review of Financial Economics 3, 309-345.
- 6) DeAngelo, H. and Roll, R. (2015), How Stable Are Corporate Capital Structures?. Journal of Finance, 70, 373–418.
- 7) Brav, Alon, John R. Graham, Campbell Harvey and Roni Michaely, 2005, Payout Policy in the 21st Century, Journal of Financial Economics 77, 483-527.
- 8) Hoberg, G. and N.R. Prabhala, 2009. Disappearing Dividends, Catering, and Risk, Review of Financial Studies (2009) 22 (1), 79-116.
- 9) Strebulaev, I.A., 2007. Do Tests of Capital Structure Theory Mean What They Say? Journal of Finance 62, 1747-1787.
- 10) Welch, I., 2004. Capital Structure and Stock Returns. Journal of Political Economy 112, 106-132.

III. Mergers and Acquisitions

- 1) Harford, J., 1999, Corporate cash reserves and acquisitions, Journal of Finance 54, 1969–1997.
- 2) Betton, S., B.E. Eckbo, and K.S. Thorburn (2008): "Corporate Takeovers," Handbook of Empirical Corporate Finance 2, Chapter 15, 289-427.
- 3) Andrade, G., M. Mitchell, and E. Stafford (2001): "New Evidence and Perspectives on Mergers," Journal of Economic Perspectives 15(2), 103-120.
- 4) Harford, J., Humphery-Jenner, M.L., & Powell, R.G., (2012). "The Sources of Value Destruction in Acquisitions by Entrenched Managers", Journal of Financial Economics, 106, 247-261.
- 5) Hoberg, G., Phillips, G., 2010. Product Market Synergies and Competition in Mergers and Acquisitions: A Text-Based Analysis, Review of Financial Studies 23 (10), 3773-3811.
- 6) Hege, U., S. Lovo, M. Slovin and M.Sushka, 2009. Equity and Cash in Intercorporate Asset Sales: Theory and Evidence. The Review of Financial Studies 22 (2) 681-714.
- 7) Bena, J., and K. Li, 2014, "Corporate Innovations and Mergers and Acquisitions," Journal of Finance, 69, 1923-1960.
- 8) Jenter, D., Lewellen, K., 2015. CEO Preferences and Acquisitions. The Journal of Finance 70, 2813-2852.

- 9) Arikan, A. M. and Stulz, R. M., Corporate Acquisitions, Diversification, and the Firm's Life Cycle, *Journal of Finance*, Vol. 71 (1), 2016, pp. 139-94.
- 10) Golubov, A., Yawson, A. and Zhang, H., Extraordinary acquirers, *Journal of Financial Economics*, Vol. 116 (2), 2015, pp. 314-30.

IV. Corporate Governance

- 1) Bebchuk, L., A. Cohen, and A. Ferrell (2009): "What Matters in Corporate Governance?," *Review of Financial Studies* 22(2), 783-827.
- 2) Ahern, K.R., and A.K. Dittmar (2012): "The Changing of the Boards: The Impact on Firm Valuation of Mandated Female Board Representation," *Quarterly Journal of Economics* 127(1), 137-197.
- 3) Fich, E.M., and A. Shivdasani (2006): "Are Busy Boards Effective Monitors?," *Journal of Finance* 61(2), 689-724.
- 4) Yermack, D. (1996): "Higher Market Valuation of Companies with a Small Board of Directors," *Journal of Financial Economics* 40, 185-211.
- 5) Fernandes, N., M.A. Ferreira, P. Matos, and K.J. Murphy (2013): "Are U.S. CEOs Paid More? New International Evidence," *Review of Financial Studies* 26(1), 323-367.
- 6) Huson, M.R., R. Parrino, and L.T. Starks (2001): "Internal Monitoring Mechanisms and CEO Turnover: A Long-Term Perspective," *Journal of Finance* 56(6), 2265-2297.
- 7) Brav, A., W. Jiang, F. Partnoy, and R. Thomas (2008): "Hedge Fund Activism, Corporate Governance, and Firm Performance," *Journal of Finance* 63(4), 1729-1775.
- 8) Jiang, W., K. Li, and W. Wang, 2012, "Hedge Funds and Chapter 11," *Journal of Finance* 67, 513-559.
- 9) Greenwood, R., Schor, M. 2009. "Investor Activism and Takeovers." *Journal of Financial Economics* 92, 362-375
- 10) Giannetti, M., Liao, G., Yu, X., 2015. The Brain Gain of Corporate Boards: Evidence from China. *The Journal of Finance* 70, 1629-1682.

V. Initial Public Offerings

- 1) Rock, K., 1986. Why new issues are underpriced. *Journal of Financial Economics* 15, 187-212.
- 2) Ritter, J.R., 1987. The costs of going public. *Journal of Financial Economics* 19, 269-281.
- 3) Allen, F., Faulhaber, G.R., 1989. Signalling by underpricing in the IPO market. *Journal of Financial Economics* 23, 303-323.
- 4) Benveniste, L.M., Spindt, P.A., 1989. How Investment Bankers Determine the Offer Price and Allocation of New Issues. *Journal of Financial Economics* 24, 343-361.
- 5) Zingales, L., 1995. Insider Ownership and the Decision to Go Public. *Review of Economic Studies* 62, 425-448.
- 6) Pagano, M., Panetta, F., Zingales, L., 1998. Why Do Companies Go Public? An Empirical Analysis. *Journal of Finance* 53, 27-64.
- 7) Chemmanur, T.J., Fulghieri, P., 1999. A Theory of the Going-public Decision. *Review of Financial Studies* 12, 249-279.
- 8) Loughran, T., Ritter, J.R., 2002. Why don't issuers get upset about leaving money on the table in IPOs? *Review of Financial Studies* 15, 413-444.
- 9) Gao, X. Ritter, J.R., Zhu, Z., 2013. Where have all the IPOs gone? *Journal of Financial and Quantitative Analysis* 48, 1663-1692.

- 10) Dambra, M., Field, L. C. and Gustafson, M. T., The JOBS Act and IPO volume: Evidence that disclosure costs affect the IPO decision, *Journal of Financial Economics*, Vol. 116 (1), 2015, pp. 121-43.
- 11) Jenkinson, T., Jones, H., Suntheim, F., 2018. Quid Pro Quo? What Factors Influence IPO Allocations to Investors? *Journal of Finance* 73, 2303-2341.